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SUBJECT: MACEDONIA: NEW ERA IN LABOR RELATIONS

Summary

1. (SBU) The GOM and the Federation of Free Trade Unions (KCC) signed a collective bargaining agreement for public sector workers on January 16. The agreement will not directly increase civil servants' wages or benefits, since the GOM is already providing public employees with a 34 percent wage increase over three years. However, the agreement does clarify some important labor rights for government employees. Most significantly, the process of the negotiation signified the end of an era in which government officials and labor leaders had enjoyed a too cozy relationship which did little to advance workers' interests. End summary.

Expanding Labor Rights

2. (U) The collective bargaining agreement signed by the GOM and the Federation of Free Trade Unions (KCC) replaces a previous agreement that expired in 2004. The new agreement focuses primarily on clarifying the rights of public sector employees and union leaders, including provisions that union representatives have the right to attend management board meetings, and employers are obligated to provide logistical support (office space, etc.) to the employees' union.

3. (U) The agreement does not directly increase salaries or benefits. The GOM already is providing a 34% salary increase to public employees over the period 2007-2009. KCC requested that the agreement include a minimum wage for public sector employees, which does not currently exist. The GOM refused, arguing that it could not afford to set a minimum wage that would then be used as the basis for calculating all wages, and would likely lead to wage increases above the already announced pay increase. The union did win agreement from the GOM that benefits, such as food and travel allowances, would be adjusted annually. The allowances have not been increased for several years.

4. (U) The collective bargaining agreement applies to all public sector employees. Unions representing specific categories of public employees, e.g.; teachers, doctors, etc., can negotiate a separate agreement for their members, as long as the agreement does not conflict with the collective bargaining agreement.

KCC Strengthens Role As Independent Union

5. (SBU) The fact that KCC succeeded in negotiating the agreement with the GOM signifies an important milestone in Macedonia's labor relations. Past collective agreements have been negotiated by the Federation of Trade Unions (CCM), the successor of the socialist era labor federation. There were credible allegations in past years that CCM's leaders had overly close ties with government officials, making CCM susceptible to political influence. CCM also received

direct financial support from the GOM. KCC was formed in 2005 as an alternative to CCM, and appears to be operating as a relatively effective, independent representative for its members.

¶6. (SBU) KCC earned the right to negotiate with the GOM as the only union organization able to demonstrate that it represents over 33 percent of public sector workers. The 33 percent threshold is a requirement of the labor law which was passed when CCM was still the undisputed labor leader. Initially, the GOM appeared hesitant to begin negotiations with KCC. In early 2007, the Embassy weighed in and told GOM officials that if KCC was the only labor federation able to meet the legal requirements, then the law should be followed and the GOM should deal with that organization. CCM lambasted the GOM for negotiating with KCC, but CCM has clearly lost its once favored status with the GOM, as demonstrated by the successful KCC-GOM negotiations.

Comment:

¶7. (SBU) The labor climate in Macedonia has improved considerably over the past three years. When the teachers union, SONK, broke away from CCM and became independent in 2005, CCM's leaders, with the apparent collusion of GOM officials in the previous government, tried to remove SONK's leaders and to require SONK's members to rejoin CCM. With support from us and international labor federations, SONK won its battle to remain independent. SONK then went on to form KCC with other independent unions and some former members of CCM. Now KCC appears to be effectively advocating for its members, while CCM is becoming increasingly irrelevant. End comment.

Milovanovic